REVIEW OF 2007

In 2007[3], passenger demand growth on U.S. airlines rebounded from a weak year in 2006. System revenue passenger miles (RPMs) and enplanements grew 3.9 and 3.3 percent, respectively. Commercial air carrier domestic enplanements increased 3.1 percent while international enplanements grew 5.1 percent to a record 75.5 million. The system-wide load factor increased to an all-time high of just below 80 percent (79.9 percent) and coupled with a 2.3 percent increase in yield resulted in an industry-wide operating profit for the second year in a row.

For the first time since 1995, regional carrier domestic market share declined. The market share for low-cost carriers grew while their network carrier counterparts remained flat. In 2007 the domestic enplanement market share for the regional and low-cost carriers increased 1.4 points to 49.7 percent, up from a 30 percent share in 2000. Vigorous competition is spurring carriers to continue to cut costs and prices in an increasing number of markets. This is good news for the flying public.

Despite continued high fuel prices, the turnaround in airline industry finances continued, with the industry posting a $5.8 billion net profit in 2007, the first since 2000. The performance of the network carriers was the most visible demonstration of the financial turnaround. Both Delta and Northwest came out from bankruptcy protection, and after losing $3.2 billion in 2006, network carriers recorded their first annual net profit since 2000, earning $4.4 billion in 2007. However continued high fuel prices and concerns about the economy are altering the carrier plans, as carriers have deferred deliveries of new aircraft and trimmed growth plans to sustain profitability. Cargo carriers continued to report strong results with net profits of $1.4 billion.

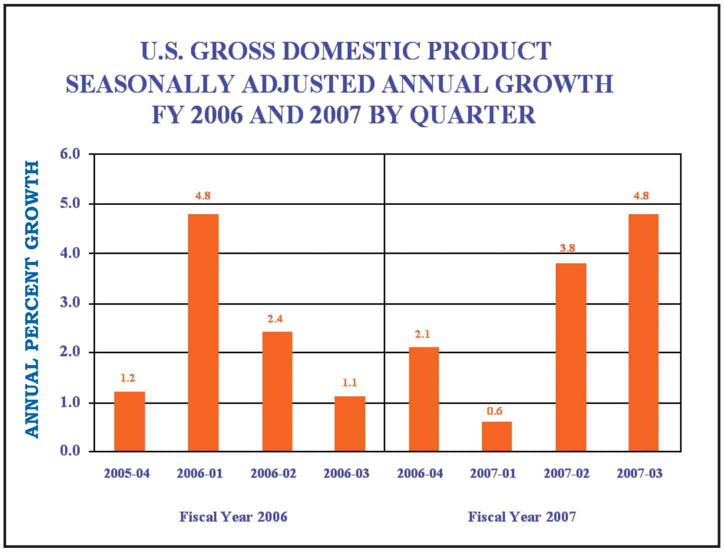
The market for general aviation products and services showed mixed results in 2007. Although total shipments and billings were up 4.2 and 15.2 percent respectively compared to 2006, piston aircraft shipments by U.S. manufacturers were down 4.9 percent. The increase in shipments and billings seen in the jet fleet was stimulated by growth in the U.S. and world economy. Despite the higher shipments and billings, general aviation activity rose a scant 0.1 percent in 2007.

Total aviation activity remained flat as increases in air carrier operations were offset by declines in commuter/air taxi and military operations. Total operations at FAA and contract towers were unchanged from FY 2006 and remained at their lowest levels in 20 years. Although the number of flights remained steady, FAA's workload didn't. As the fleet mix changes with more regional and business jets in the nation's skies and carriers consolidate their operations in their large hubs, the complexity of the airspace continues to grow, increasing our workload.

3 All stated years and quarters for U.S. economic and U.S. air carrier traffic and financial data and forecasts are on a fiscal year (FY) basis (October 1 through September 30). All stated years and quarters for international economic and world traffic and financial data are on a calendar year (CY) basis, unless otherwise stated.

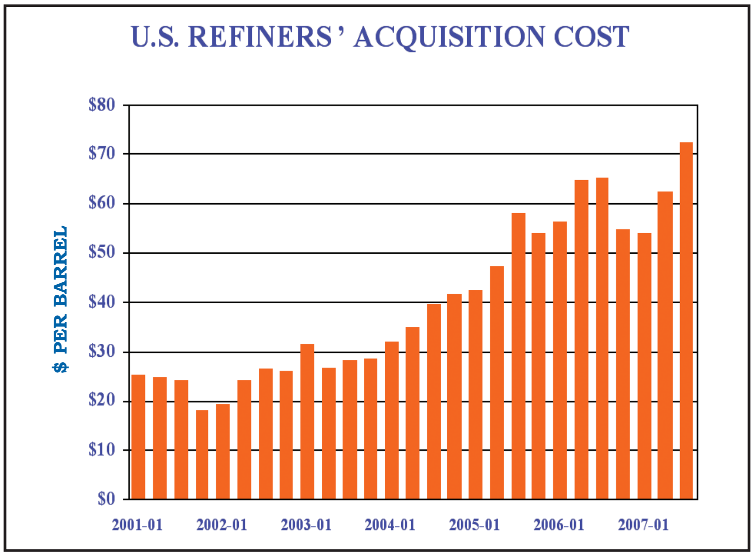
U.S. Economic Activity

After a solid performance in fiscal years 2005 and 2006, growth in U.S. Gross Domestic Product (GDP) slowed in fiscal year 2007, up just 2.2 percent. In FY 2007, seasonally adjusted quarterly growth fluctuated between 0.6 percent (2Q) to 4.8 percent (4Q).



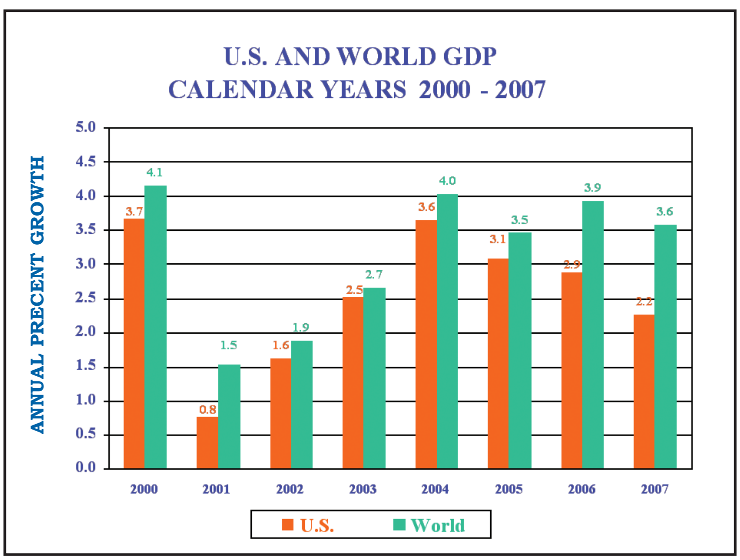
According to the consumer price index (CPI), prices rose 2.3 percent in FY 2007, 1.4 percentage points lower than in FY 2006, despite record high gasoline and oil prices.

Oil prices, as measured by the U.S. Refiners' Acquisition Cost, rose just 1.4 percent in FY 2007, following increases of 40.5 and 26.8 percent, respectively, in FY 2005 and 2006. Higher prices were spurred by strong global demand for oil and concerns about potential supply disruptions.



World Economic Activity

As the world's largest economy, the U.S continues to have a prominent role in world economic growth. In calendar year 2007, as has been the case since 2000, U.S. GDP growth lagged that of the rest of the world with U.S. and world economic growth reaching 2.2 and 3.6 percent, respectively. GDP growth in the rest of the world outside the U.S. was driven by the growth in Asian and Latin American markets.



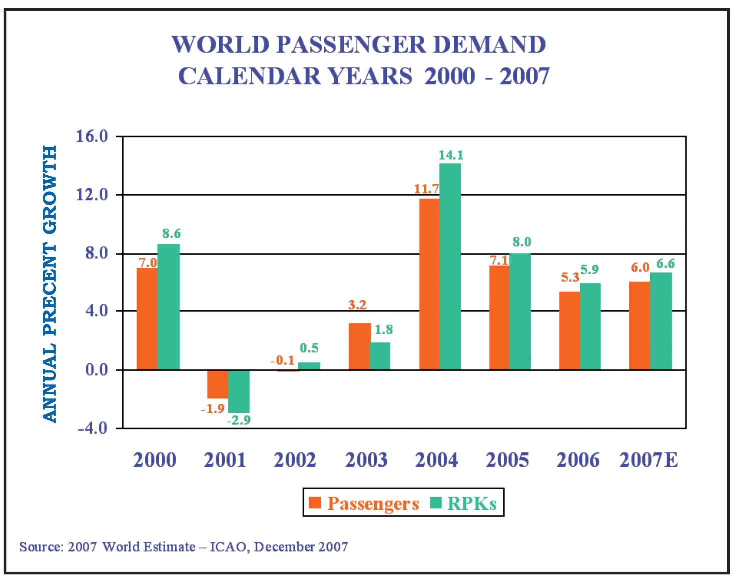
On a calendar year basis, Canadian GDP growth surpassed the U.S. in 2007 after lagging in 2005 and 2006, with growth of 2.6 percent. The combined economies of the Asian and Far East nations grew by 5.1 percent in 2007, up from 5.0 percent a year earlier. This region includes the world's second largest economy, Japan (up 1.9 percent), and the world's most vibrant economy, China (up 11.5 percent). The combined economies of the Europe/Middle East/Africa nations rose by 3.3 percent in 2007, as rapid growth in Eastern Europe (up 6.8 percent) offset the slower growth in Eurozone[4] countries (up 2.7 percent). GDP in Latin America and Mexico grew by 5.2 percent, down slightly from 5.5 percent in 2006.

Commercial Aviation

Commercial aviation was a study in contrasts in 2007. High jet fuel prices continued to plague carriers throughout the world but demand remained robust. The global industry, including the U.S., was able to record its first net profit since 2000. Airlines in the U.S. maintained capacity discipline in domestic markets, increased their international flying, and raised fares modestly. World airlines were not as affected by the high fuel prices because a relatively strong world economy and a weakening dollar allowed international carriers to pass on increased fuel costs to the traveling public through higher fares without dampening demand. In the U.S., higher load factors and modestly higher fares resulted in the first profit for the industry since 2000. Outside the U.S., the story was even better as world airlines made an estimated $2.9 billion buoyed by strong demand.[5]

World Travel Demand

Based on data compiled by the International Civil Aviation Organization (ICAO), world air carriers transported 2.1 billion passengers (up 5.3 percent) a total of 3.9 trillion revenue passenger kilometers (RPKs) (up 5.9 percent) in CY 2006. Although worldwide traffic results are not available for full year 2007, signs are the demand for world aviation services continued to grow in 2007. In December 2007, ICAO estimated that worldwide RPKs increased 6.6 percent and passengers increased about 6.0 percent in 2007.[6]

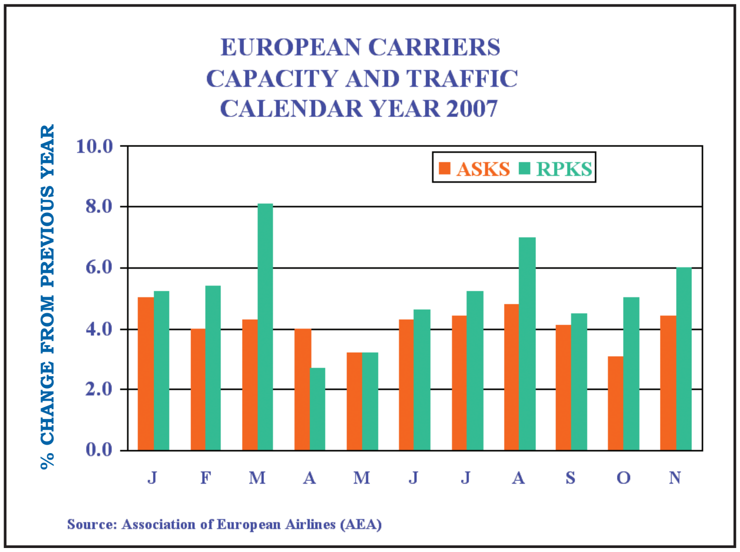


4 *Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, and Spain.*

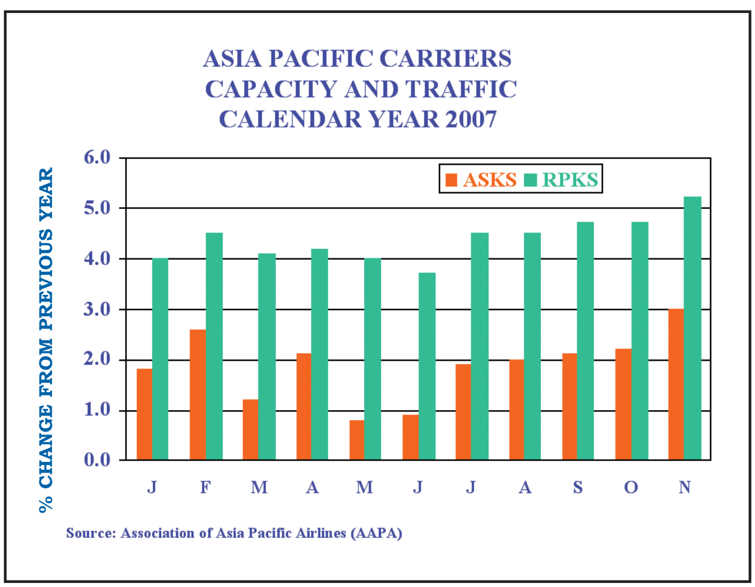
5 *IATA Financial Forecast, December 2007.*

6 *ICAO News Release, December 21, 2007.*

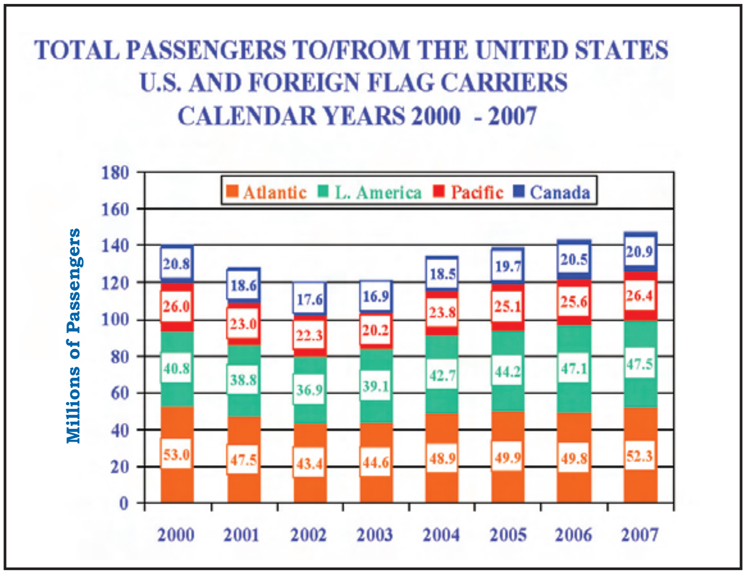
Statistics from the Association of European Airlines (AEA) show that passengers and RPKs increased 4.3 percent and 5.1 percent, respectively, during the first 11 months of 2007. Capacity, as measured by available seat kilometers (ASKs), was up 4.1 percent. With double-digit growth, AEA carrier traffic was strongest in the South Atlantic (12.0 percent) and Middle East regions (9.9 percent). The North Atlantic region posted modest results with a 4.3 percent increase in traffic.



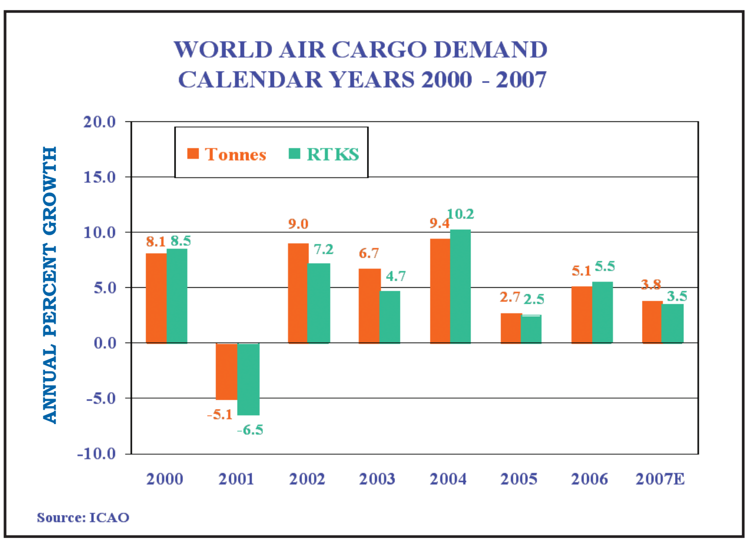
The Association of Asia Pacific Airlines (AAPA) reported increases of 4.8 percent in RPKs and 2.3 percent in ASKs for the first 11 months of 2007. Passengers increased 4.6 percent during the same period.



In CY 2007, U.S. and foreign flag carriers will transport an estimated 147.1 million passengers between the United States and the rest of the world, a 2.9 percent increase over 2006. The strongest growth occurred in the Atlantic market (up 5.1 percent) while growth in the Asia/Pacific markets (up 3.3 percent) and Canadian transborder market (up 2.2 percent) was more modest. Latin America markets had minimal growth (up 0.8 percent) following four years of strong growth. In 2007 passenger levels in the Asia/Pacific and Canadian transborder regions returned to pre-9/11 levels, leaving the Atlantic region as the only region that has yet to have passenger levels return to pre-9/11 levels.

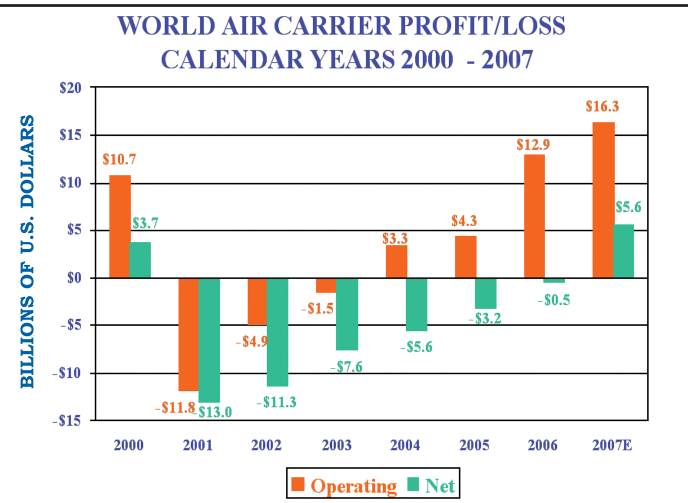


Worldwide air cargo demand rebounded in 2006 following slow growth in 2005. According to ICAO statistics, worldwide freight tonnes and freight ton kilometers (FTKs) were up 5.1 and 5.5 percent, respectively. Indications are that cargo demand growth in 2007 was slower than in 2006. AEA and AAPA statistics show that their member carriers' FTKs were up 2.7 and 3.1 percent, respectively, during the January to November 2007 time period. ICAO estimated that member cargo carrier traffic increased about 3.5 percent in 2007.[7]



[7] *ICAO News Release, December 21, 2007.*

Based on financial data compiled by ICAO, world air carriers (including U.S. airlines) reported an operating profit of $12.9 billion but a net loss of $0.5 billion in 2006. Between 2000 and 2006, world airlines produced cumulative operating profits of $13 billion but net losses of $37.5 billion. Continued demand growth, restrained capacity growth and modestly higher fares led to improved financial results in 2007 despite higher fuel prices. In December, the International Air Transport Association (IATA) estimated that global airline industry profits would be $5.6 billion in 2007.[8]



Source: 2007 World Estimate: IATA, December 2007

U.S. Travel Demand

The U.S. commercial aviation industry consists of 36 mainline air carriers that use large passenger jets (over 90 seats) and 84 regional carriers that use smaller piston, turboprop, and regional jet aircraft (up to 90 seats) to provide connecting passengers to the larger carriers. Mainline and regional carriers provide both domestic and international passenger service between the U.S. and foreign destinations, although regional carrier international service is confined to border markets in Canada, Mexico, and the Caribbean. An additional 27 all-cargo carriers provide domestic and/or international air cargo service.

Three distinct trends have occurred over the past several years that have helped shape today's U.S. commercial air carrier industry: (1) major restructuring and shrinking by the mainline network carriers; (2) rapid growth by low-cost carriers, particularly in nontraditional long-distance transcontinental markets; and (3) exceptional growth among regional carriers.

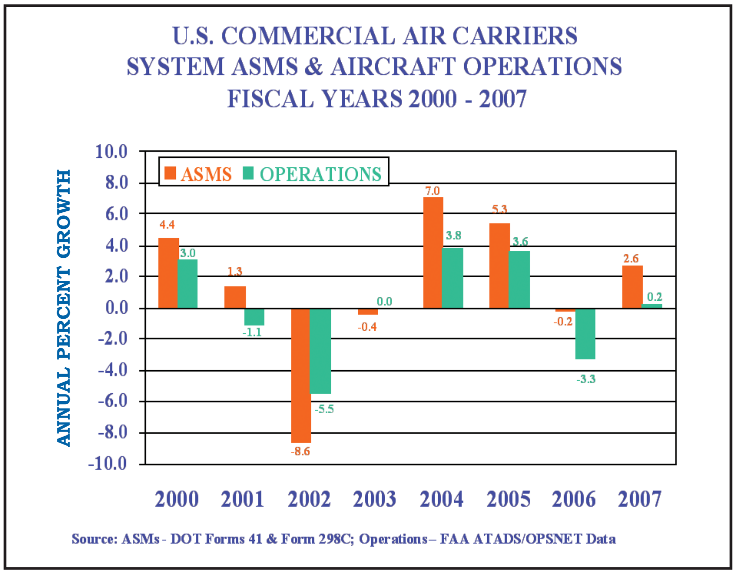
Commercial Air Carriers—Passengers

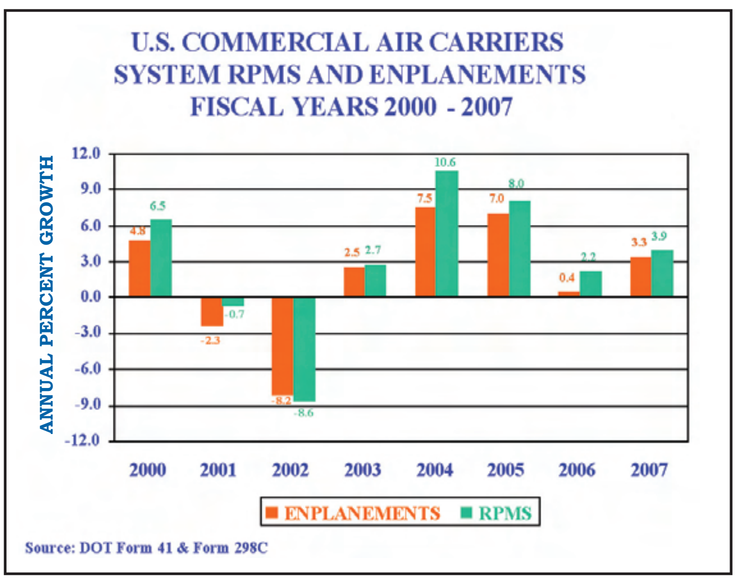
After a pause in growth in 2006, U.S. commercial air carriers in 2007 posted modest gains in capacity and traffic. In 2007, system (the sum of domestic plus international) capacity rose by 2.6 percent to 1.03 trillion ASMs. Passenger demand, despite higher fares and growing concerns about the economy, grew modestly with enplanements up 3.3 percent to 764.7 million while RPMs increased 3.9 percent to

8 *IATA Financial Forecast, December 2007.*

821.4 billion. Mainline carrier demand rebounded from the slowdown in 2006 but regional carrier demand growth slowed. Domestic demand grew in line with U.S. economic growth, while demand growth in international markets exceeded 5 percent for the fourth consecutive year.

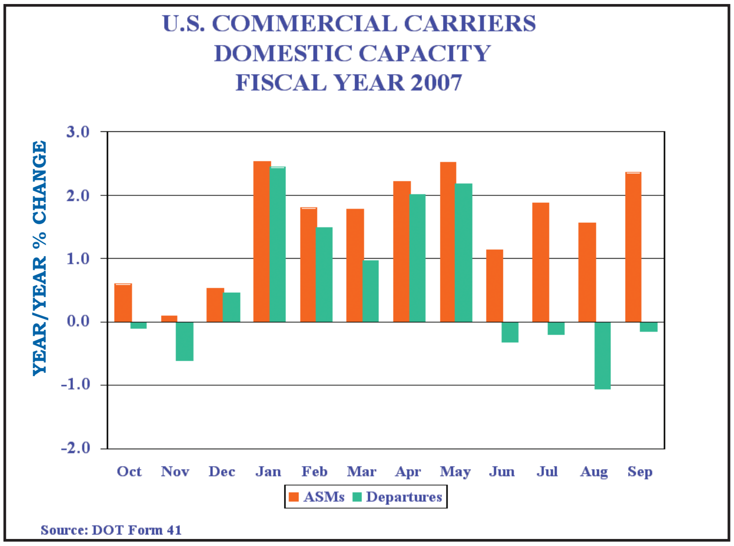
System load factor and trip length climbed in 2007, while seats per aircraft mile increased for the second consecutive year. Load factor increased 0.9 points to 79.9 percent, an all-time high, and trip length grew 5.3 miles to 1,074.1 miles. For the second year in a row, seats per aircraft mile increased (0.8 seats) to 136.6 seats per aircraft mile. Legacy carriers continued to shift wide-body flying from domestic to international markets and regional carriers began to phase out some smaller regional jet (50 seats and below) operations.



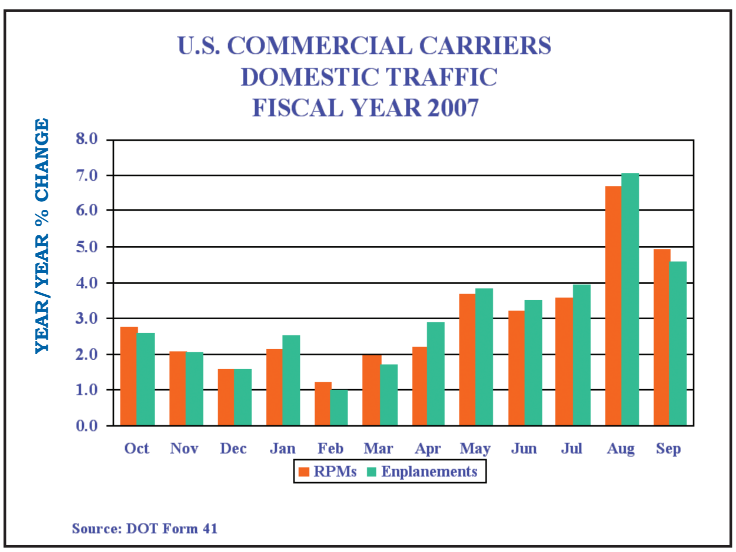


Domestic Passenger Markets

Domestic capacity (50 states, Puerto Rico, and the U.S. Virgin Islands) was up 1.6 percent in 2007 following a 2.0 percent decline in 2006, and departures increased by 0.6 percent. ASM growth was higher in the second half of the year (up 1.9 percent) compared with the first half of the year (up 1.2 percent). Mainline carrier capacity grew 1.8 percent while regional carrier capacity was up just 0.5 percent. At the end of 2007, domestic ASMs were 3.5 percent above pre-9/11 levels while departures remained 5 percent below.



Domestic passenger enplanements and RPMs grew at a faster rate than ASMs in 2007. Mainline carrier enplanements were up 3.4 percent while regional carrier enplanements were up 2.3 percent, the first time in twelve years that mainline enplanement growth exceeded that of the regional carriers. Enplanement growth was sharply higher in the second half of the year, up 4.3 percent, more than double the 1.9 percent rate recorded during the first half of the year.

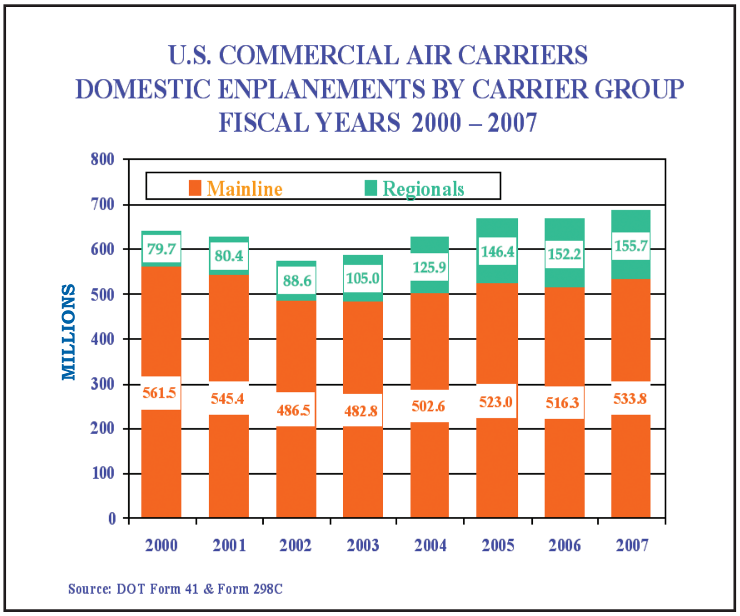


Similar to passengers, domestic RPMs grew faster than ASMs with domestic RPMs up 3.0 percent. After growing at a 2 percent rate during the first half of the year, traffic growth speeded up to 3 percent and 5 percent, respectively, during the 3rd and 4th quarters. Mainline carrier RPM growth (up 3.1 percent) outpaced regional carrier growth (up 2.4 percent) for the first time since 1995.

Domestic carrier load factor increased for the sixth consecutive year to reach an all-time high of 79.8 percent in 2007, 1.1 points above 2006. Mainline carrier load factor exceeded 80 percent for the first time and regional carrier load factor increased 1.5 points to 75.6 percent, an all-time high.

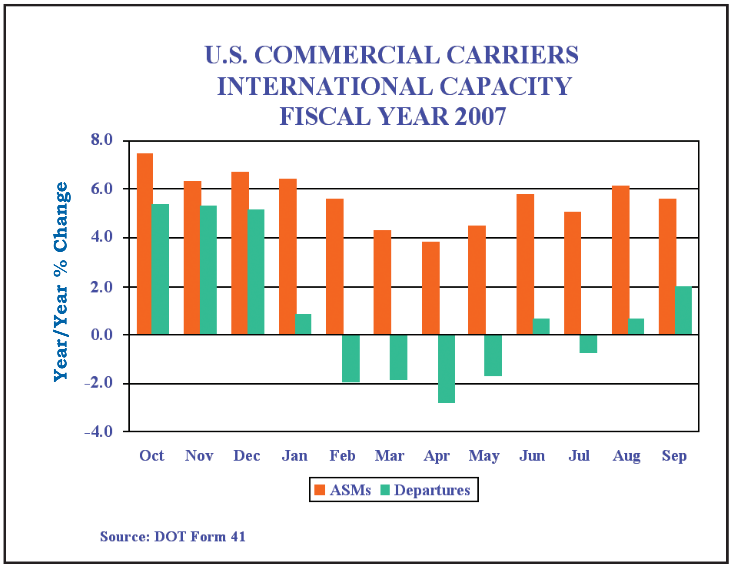
Since 2000, total domestic capacity has increased by only 3.5 percent. Mainline carriers have shrunk their domestic capacity by 4.2 percent with cutbacks by network carriers more than offseting the growth of low-cost carriers. Making up the shortfall from cuts in network carrier capacity, regional carriers during this time have massively increased capacity (up 142.4 percent). Mainline carrier RPMs have increased by 8.2 percent despite cutting capacity although enplanements have declined by 4.9 percent

During this same time period, regional carrier RPMs and enplanements have increased 207.6 and 95.4 percent, respectively. As a result, mainline carriers' share of domestic capacity has fallen from 94.7 percent in 2000 to 87.6 percent in 2007 while their share of RPMs has dropped from 95.5 to 88.3 percent. In 2007, regional carriers accounted for 22.6 percent of domestic commercial enplanements, up from 12.4 percent in 2000.

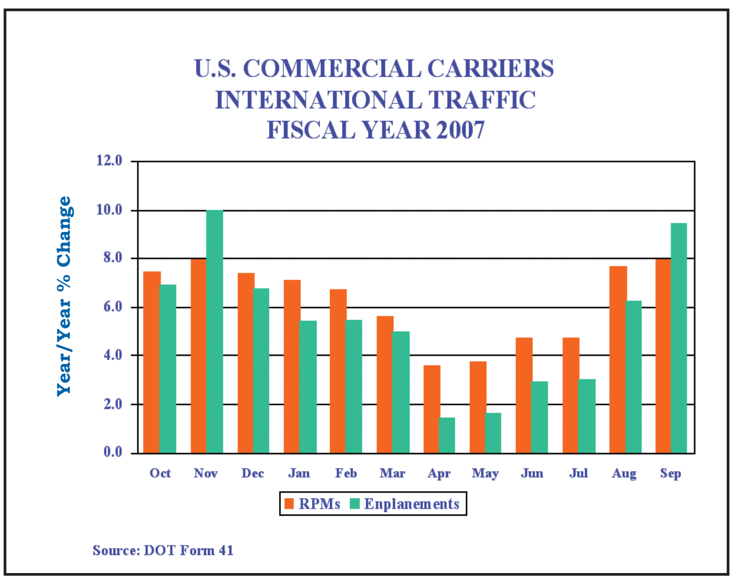


International Passenger Markets

U.S. carriers posted a fourth consecutive year of strong gains in international capacity and traffic in 2007. U.S. carrier ASMs and departures were up 5.6 and 0.7 percent, respectively, in 2007. ASM growth was higher in the first half of the year (up 6.1 percent) and then moderated a bit during the second half of the year (up 5.2 percent). ASMs increased in all world travel regions—up 9.4, 4.9, and 0.5 percent, respectively, in Atlantic, Latin American, and Asia/Pacific markets.



International RPMs and passenger enplanements were up 6.1 and 5.1 percent, respectively, in 2007 with faster growth recorded in the first half of the year. Atlantic markets posted the strongest gains, with RPMs up 8.8 percent and enplanements up 7 percent, respectively. RPMs and enplanements grew 7.7 and 6.8 percent, respectively, in Latin American markets while RPMs were up 0.6 percent as enplanements fell by 2.2 percent in Pacific markets.



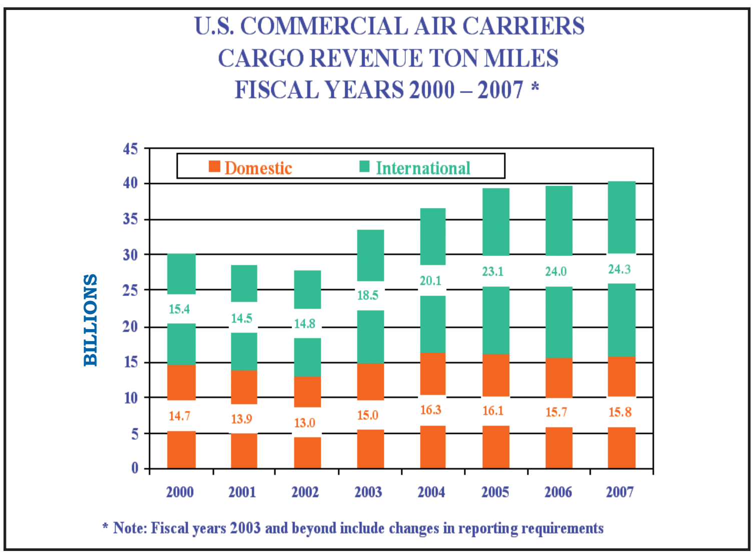
The international load factor climbed 0.4 percentage points over 2006 levels to an all-time high of 80.2 percent in 2007. Load factor increased in Latin American markets (up 1.9 points to 76.7 percent) and Pacific markets (up 0.1 points to 82.9 percent) but fell slightly in North Atlantic markets (down 0.4 points to 80.7 percent).

In 2007, 50 percent of the passengers flying abroad on U.S. flag carriers traveled to the Latin American markets. The remaining 50 percent of international passengers was split between the Atlantic markets (32 percent) and the Pacific markets (18 percent).

Commercial Air Carriers—Cargo

Air cargo traffic contains both domestic and international revenue freight/express and mail. The demand for air cargo is a derived demand resulting from economic activity. Cargo moves in the bellies of passenger aircraft and in dedicated all-cargo aircraft, on both scheduled and nonscheduled service.

U.S. air carriers flew 40.1 billion revenue ton miles (RTMs) in 2007, up 1.0 percent from 2006, with domestic cargo RTMs (15.8 billion) increasing by 0.7 percent while international RTMs (24.3 billion) increased by 1.2 percent. The slow growth in both domestic RTMs and international RTMs reflects many factors including a sluggish U.S. economy, strong price competition from alternative shipping modes, and record high oil prices.

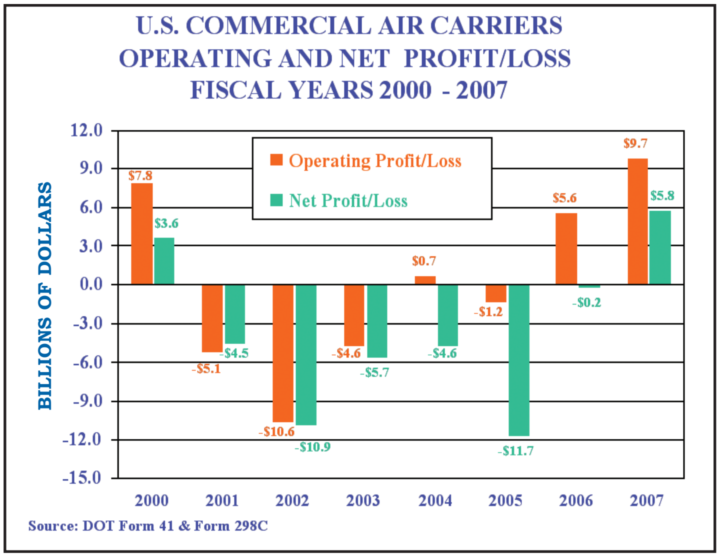


Air cargo RTMs flown by all-cargo carriers were 72.3 percent of total RTMs in 2007, with passenger carriers flying the rest, or 27.7 percent of the total. Total RTMs flown by all-cargo carriers increased 3.6 percent in 2007, from 28.0 billion to 29.0 billion. Total RTMs flown by passenger carriers were 11.1 billion in 2007 (down 5.1 percent).

On August 3, 2007, “Recommendations of the 9/11 Commission Act of 2007” was signed into law. Section 1602 of this Act states that air cargo placed on passenger aircraft will receive the same level of screening as passenger-checked baggage. To this end, the legislation calls for establishing a system within three years which requires 100 percent inspection of cargo transported on passenger aircraft. It is anticipated the law will lead to increased cost and time requirements for shipment of cargo on passenger air carriers.

U.S. Commercial Air Carriers 2007 Financial Results

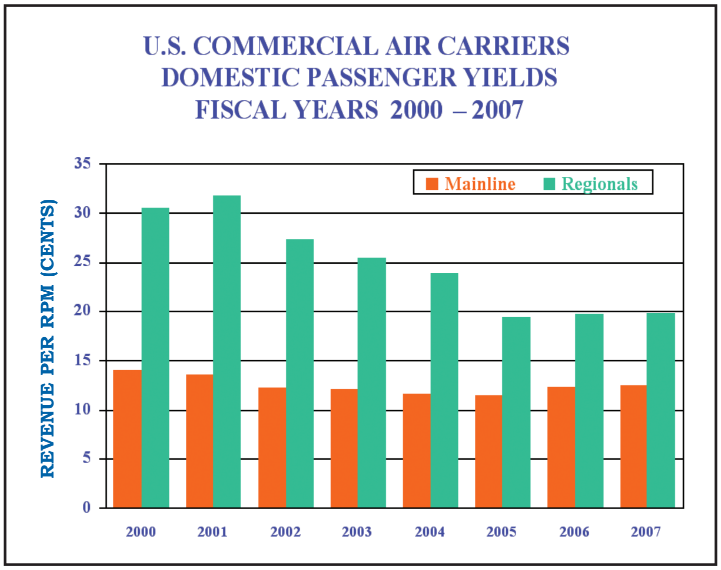
Financial results for the U.S. commercial airline industry (including regional carriers) continued to improve in 2007, despite record high oil prices. In FY 2007, U.S. commercial airlines reported an operating profit of $9.7 billion and a net profit of $5.8 billion, the first since 2000. Between 2001 and 2006, the industry posted cumulative operating and net losses of $15.7 and $37.7 billion, respectively.



Operating revenues (passenger and cargo) were up 3.6 percent in 2007, reflecting higher fares and increased cargo demand. Operating expenses were up only 1.0 percent in 2007, as jet fuel prices fell 0.5 percent from $1.98 to $1.97 per gallon.

In 2007, passenger carriers reported operating profits of $7.1 billion and net profits of $4.3 billion, respectively, while air cargo carriers, reported operating and net profits of $2.7 billion and $1.4 billion, respectively. Passenger carriers generated an operating profit ($3.6 billion) in domestic markets for the second consecutive year as international operations remained profitable ($3.5 billion). For the first time since 2000, passenger carriers reported a net profit ($990 million) in domestic markets, while posting a $3.3 billion net profit in international markets. In international markets, air cargo carriers reported operating and net profits of $1.5 billion and $840.6 million. Domestic markets were profitable for cargo carriers who posted operating and net profits of $1.2 billion and $584.0 million, respectively.

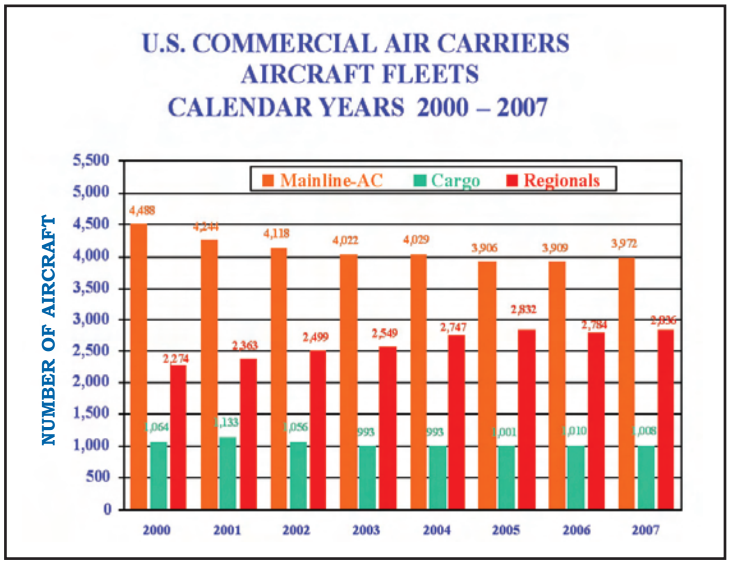
The industry's financial improvement is largely because of the dramatic swing in network carrier financial performance. After losing $3.2 billion in FY 2006, the seven network carriers reported a $4.4 billion net profit in FY 2007, a swing of $7.6 billion. Most of the improvement occurred in domestic markets. These seven carriers accounted for 57.5 percent of domestic capacity and transported 48.2 percent of all domestic passengers in 2007. Between 2000 and 2006, the domestic operations of the network carriers reported combined operating and net losses of $27.9 and $36.2 billion, respectively. In 2007, buoyed by record load factors and falling expenses, the network carriers' domestic operations reported operating and net profits of $2.4 billion and $1.1 billion, respectively. The eleven low-cost carriers reported combined operating and net profits of $1.0 billion and $510.8 million, respectively, in 2007. Strong competition from the network carriers and high fuel prices hurt many low-cost carriers' profits. Despite a drop in capacity by the network carriers, increases in mainline carrier passenger yield were modest. After increasing by 8.5 percent in 2006, mainline carrier passenger yield rose just 1.0 percent in 2007, reflecting fierce competition between network and low-cost carriers but also among the low-cost carriers themselves.



In 2007, regional carriers reported operating profits of $326.9 million, but a net loss of $517.6 million, largely because of losses at Comair and Atlantic Southeast Airlines. The future of regional carriers is closely tied to the fortunes of the larger network carriers for whom they provide feed at major air carrier airports. Similar to the mainline carrier yield, regional carrier domestic passenger yield increased a modest 0.5 percent in 2007, but reflecting the changing nature of the industry, is down 34.9 percent since 2000.

U.S. Commercial Air Carriers 2007 Aircraft Fleets

The total number of aircraft in the U.S. commercial fleet (including regional carriers) is estimated at 7,816 for 2007, an increase of 113 aircraft from 2006. This includes 3,972 mainline air carrier passenger aircraft (over 90 seats), 1,008 mainline air carrier cargo aircraft, and 2,836 regional carrier aircraft (jets, turboprops, and pistons).

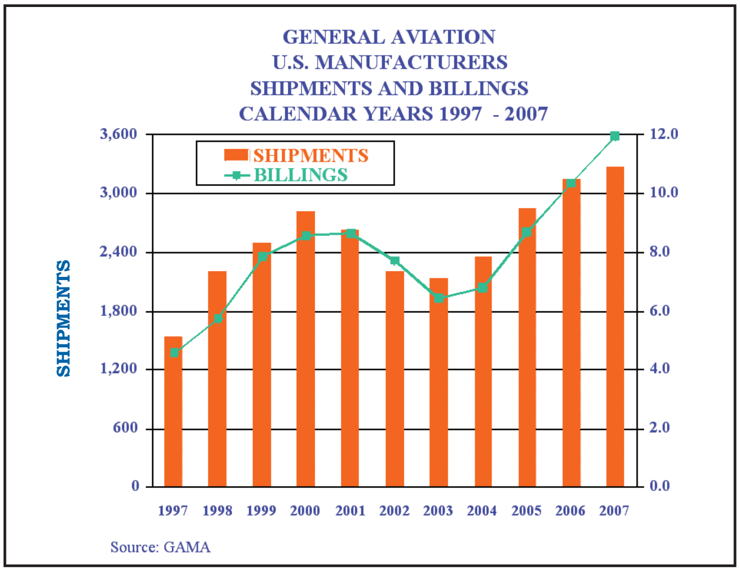


The mainline carriers' passenger jet fleet increased by 63 aircraft in 2007 as increases in low-cost carriers offset cuts in the network carrier fleet. Even with the increase in the fleet in 2007, the mainline carrier fleet remains 11.5 percent below (516 aircraft) the level it was in 2000.

The mainline carrier cargo fleet remained essentially flat in 2007, falling by just 2 aircraft to 1,008. After falling in 2006 the regional carrier fleet grew by 52 aircraft in 2007 as declines in turboprop and piston aircraft were offset by an increase in regional jets. Since 2000, a total of 1,233 regional jets have come into the regional carriers' fleet while the number of turboprops and pistons has declined by 671 aircraft.

General Aviation

According to numbers released by the General Aviation Manufacturers Association (GAMA), U.S. manufacturers of general aviation aircraft delivered 3,279 aircraft in CY 2007, 4.2 percent higher than in CY 2006. The 4.2 percent increase in shipments was the smallest increase in four years. The turbine categories, turbojets and turboprops, were up 34.9 and 13.3 percent, respectively. Both piston categories, single-engine and multi-engine, were down with single-engine down 5.0 percent and multi-engine down 2.5 percent. Billings in CY 2007 totaled $11.9 billion, up 15.2 percent compared with 2006.



General aviation activity at FAA air traffic facilities was essentially unchanged in 2007. Operations at combined FAA and contract towers rose just 0.1 percent in 2007, the first increase since 1999, as increases in contract tower activity offset a decline in FAA tower activity. General aviation instrument activity (IFR) at combined FAA towers fell in 2007, down 1.5 percent, but the number of general aviation aircraft handled at FAA en route centers increased by 1.2 percent.

The FAA uses estimates of fleet size, hours flown and utilization from the General Aviation and Air Taxi Activity and Avionics Survey (GA Survey) as baseline figures upon which assumed growth rates can be applied. This survey has been conducted annually since 1977. Beginning with the CY 2004 Survey there were significant improvements to the survey methodology. These improvements included conducting 100 percent samples for turboprops and turbojets, all rotorcraft, all aircraft in Alaska and all aircraft operating on-demand under Part 135. In addition, the sample design was revised to stratify by aircraft type (19 categories), FAA region (9 categories), and whether the aircraft was owned by an entity certified to fly Part 135 operations (2 categories). Furthermore, a large fleet reporting form was incorporated to allow owners/operators of multiple aircraft to report aggregate data for their entire fleet on a single form. In 2005 an additional aircraft category (Light Sport Aircraft) was added. The result of these changes was the sample size nearly doubled. Between 2003 and 2005 large changes in both the number of aircraft (turbojets up by 22.8 percent, total rotorcraft up by 33.7 percent) and hours (single-engine piston down by 17.6 percent) in many categories occurred. The results of the 2006 Survey are consistent with the results of the 2004 and 2005 Surveys. This reinforces our belief the methodological improvements have resulted in superior estimates relative to those in the past and they are used as the basis for our forecast.

Based on the latest FAA assumptions about fleet attrition and aircraft utilization and GAMA aircraft shipment statistics, the active general aviation fleet is estimated to have increased 1.4 percent in 2007, to 225,007. General aviation flight hours are estimated to have increased 0.6 percent in 2007 to 27.7 million.

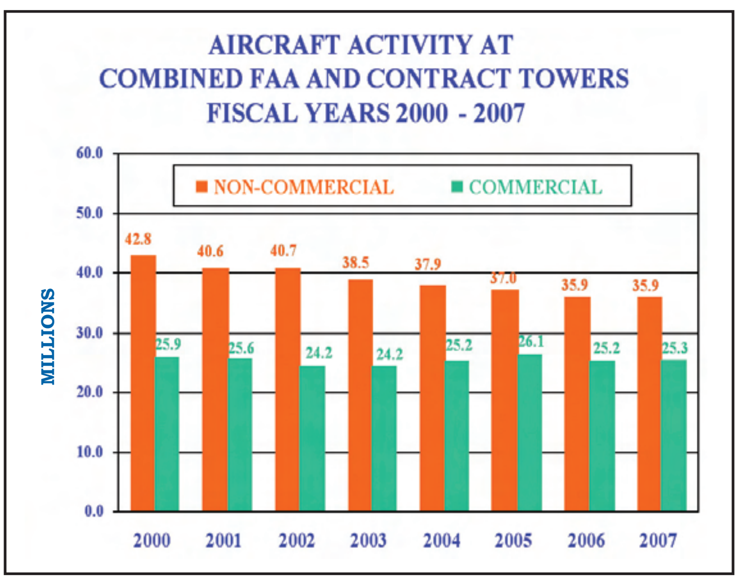
Student pilots are important to general aviation and the aviation industry as a whole. In 2007, according to statistics compiled by the FAA's Mike Monroney Aeronautical Center, the number of student pilots decreased by 0.6 percent. This is the third consecutive year of decline in this important pilot category. The industry has, over the past several years, maintained several industry-wide programs designed to attract new pilots to general aviation. The industry is trying to stimulate interest in flying, but the data suggest that more may need to be done.

FAA Workload

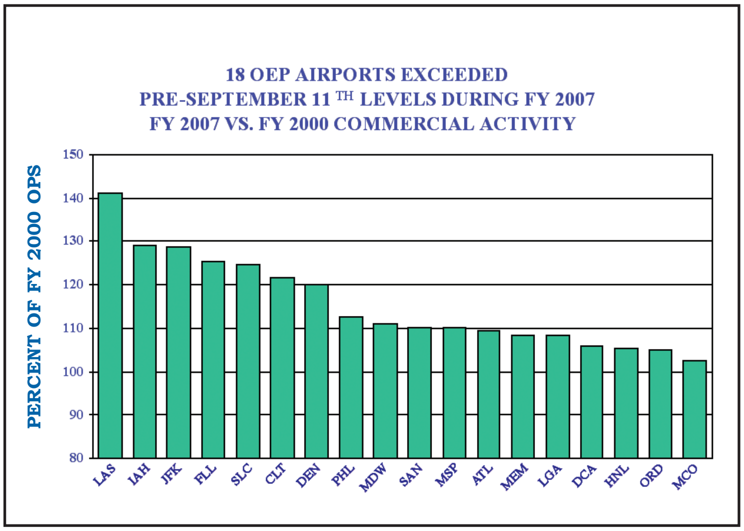
During the late 1990's, the demand for both commercial and general aviation expanded significantly resulting in the delays that plagued many U.S. commercial airports in 2000 and 2001. Passenger demand and activity at FAA air traffic facilities declined significantly following the events of 9/11. However, passenger levels have recovered and the combination of the recovery in passenger demand plus the shift in activity from larger aircraft to smaller regional jets has resulted in increased activity and delays at some U.S. airports during 2007.

Total activity at combined FAA and contract tower airports totaled 61.1 million operations in 2007, unchanged from 2006 but 11.0 percent below the peak activity level recorded in 2000. Commercial activity (the sum of air carrier and commuter/air taxi) increased by just 0.2 percent in 2007. Air carrier operations increased by 2.7 percent, offsetting a decline in commuter/air taxi operations (down 2.5 percent). Commercial operations as a whole are lower than their peak in 2005.

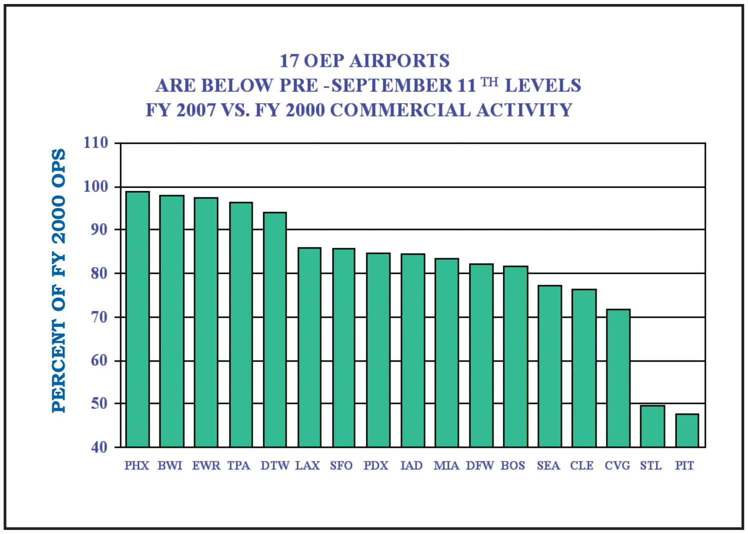
Non-commercial activity (the sum of general aviation and military) at combined FAA and contract towers fell by 0.1 percent in 2007, with general aviation activity (33.1 million) up 0.1 percent while military activity (2.7 million) fell 2.0 percent. The 0.1 percent increase in general aviation activity was the first increase since 1999. At the end of 2007, non-commercial aircraft activity was 16.1 percent below the activity in 2000, having declined each year since 2002.



The FAA pays close attention to the trends occurring at the 35 Operational Evolution Partnership (OEP) airports. These airports are the top 35 airports in the country in terms of passenger activity and account for about 75 percent of commercial passengers. Although commercial activity at the OEP airports exceeded pre-9/11 peak activity levels in 2005, subsequent industry restructuring has resulted in a drop in combined commercial activity at these airports since. In 2007, commercial activity at the OEP airports rose by 0.3 percent but remains 2.2 percent below pre-9/11 activity levels. Increases were recorded at 20 of the 35 airports with the highest rates of growth at New York Kennedy (up 21.2 percent) and Chicago Midway (up 4.4 percent). The largest declines occurred at St. Louis (down 10.7 percent) and Cincinnati (down 9.8 percent). As a result, only eighteen airports exceeded 2000 peak activity levels during fiscal year 2007, unchanged from the previous year.



Reflecting the continuing shift in demand to low-cost and regional carriers, commercial operations at Las Vegas (up 41.3 percent), Houston (up 29.1 percent), and New York Kennedy (up 28.1 percent), are up the greatest relative to their pre-September 11th activity levels. Commercial operations at Pittsburgh (down 52.4 percent) and St. Louis (down 50.3 percent) show the largest declines from pre-9/11 levels. These activity level shifts reflect the impact of the restructuring of the airline industry. American's acquisition of TWA resulted in a consolidation of operations away from TWA's St. Louis hub, while the merger of US Airways and America West has led to a dramatic shrinking of US Airways' operations in Pittsburgh.



During 2007, total activity at FAA en route centers (46.8 million) rose 1.2 percent from the previous year. Commercial activity was up 2.4 percent, with air carrier and commuter/air taxi aircraft handled up 2.5 and 2.3 percent, respectively. Non-commercial activity was down 2.0 percent in 2007 as an 8.3 percent fall in military activity more than offset a 1.2 percent increase in general aviation activity. In 2007, air carrier aircraft handled surpassed their 2000 activity levels while aircraft handled for the general aviation and military user groups were 5.1 and 9.3 percent below their 2000 activity levels, respectively.